



To: City Auditors, Town and Special Purpose District Accountants
From: Mary Jane Handy, Director of Accounts
Date: August, 2017

This letter sets forth the requirements for certification of General Fund free cash, certification of enterprise fund retained earnings, submission of required DLS reports, and certain other related matters.

For jurisdictions required to submit audited financial statements prior to free cash certification, if the independent auditor's opinion is adverse or disclaimed, the certification of free cash is at the Director's discretion.

Grant Reimbursements

Expenditures made in anticipation of State grant reimbursements that were subsequently reduced or eliminated in FY2017 and resulted in a deficit in the grant account at June 30, 2017, and for which reimbursement is no longer anticipated, must be raised in the FY2018 tax rate ("Other Amount to be Raised" on page 2 of the Tax Rate Recap), unless otherwise funded before then.

(See Balance Sheet presentation below for additional information on the effect of grant deficits on free cash.)

Snow and Ice

DLS Bulletin [2015-07B](#) details the process cities and towns used to amortize their FY2015 snow and ice account deficit. FY2018 is the final year of this deferral. Please review this Bulletin and **update** the [Snow and Ice Amortization Schedule](#) if applicable.

The Snow and Ice Report must be submitted in Gateway by September 15.

PEG Access

Since the passage of [Chapter 352 of the Acts of 2014](#) regarding Cable Television PEG Access funds and the issuance of [Informational Guideline Release \(IGR\) No. 16-102, Cable Television Public, Educational and Governmental Access Special Revenue Funds](#), on the matter, the Bureau has received numerous calls and e-mails from communities as to their current accounting treatment of these funds.

In order to facilitate local decisions about the most appropriate accounting treatment for these revenues, the Bureau will extend another year the date announced in [IGR 16-102](#) for completing any transition from a community's current accounting treatment. Communities will now have until the close of fiscal year 2018 (June 30, 2018) to consider the available accounting options

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and take the necessary actions to implement it. Accounts treated otherwise at the end of fiscal year 2018 will be closed to the General Fund as part of the June 30, 2018 free cash certification. Any inconsistent statements in Section I of [IGR 16-102](#) or other prior written publications or statements are superseded.

Balance Sheet - Form Submission Requirements

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted. Only balance sheets that have been closed as of June 30, 2017 will be accepted for certification of free cash. Please submit hard-copy documentation of information not already entered or uploaded into Gateway to your BOA field representative.

UMAS accounting does not require that local governmental entities convert their chart of accounts to conform to GASB 54 definitions. The Bureau will continue to allow fund balance definitions to appear as in the past.

Some of the required year-end forms can either be down-loaded from the DLS website and then up-loaded into Gateway or entered directly into Gateway.

- Combined Balance Sheet and Combining Balance Sheets for each fund type including individual fund balances (may include a system generated balance sheet);
- Detailed analysis of undesignated fund balance/surplus revenue;
- Cash Reconciliation Form;
- Schedule of Outstanding Receivables;
- Snow and Ice Annual Report;
- [FY2017 Balance Sheet Checklist](#);
- [Treasurer's Year End Cash Report](#);
- [Statement of Indebtedness](#);
- [Snow and Ice Amortization Schedule](#), if applicable;
- Other information as requested by the Bureau; and
- Audited financial statements if required by the Director

Balance Sheet Presentation

- For balance sheet purposes at June 30, 2017, debt proceeds reserved in the Enterprise Fund must be transferred to a Capital Projects Fund.
- For each separate enterprise fund, the transfer of Enterprise Fund receipts to the General Fund for indirect costs cannot exceed the amount reported on Schedule A-2 Enterprise Funds, part IIB Total costs appropriated in general fund.
- If committed before July 1, the FY2018 property tax commitment is not recorded until July 1. Cash received before July 1 toward that commitment is recorded as FY2018 deferred revenue.
- Invested funds must be reported at fair value as of June 30.
- Incurred But Not Reported (IBNR) claims of a self-insured health care trust fund must be accrued and reported on the balance sheet. A June 30, 2017 deficit in this fund is a reduction to free cash and must be raised in the FY2018 tax rate, unless otherwise funded before then.

- Any balance as of June 30 in the State Special Education Reimbursement Fund (Circuit Breaker) can be no greater than DESE's FY2017 reimbursement, not including extraordinary assistance or funds obligated by the school committee for FY2018 purposes. Any fund balance in excess of the allowable balance must close to the General Fund on June 30.
- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Please see [IGR No. 08-102, *Guidelines for the Application of School Building Assistance Grants*](#).
- Treasurers may use inter-fund borrowing before issuance of authorized debt to pay expenses for the projects or purposes for which the debt will be issued. G.L. c. 44, § 20A. Interfund advances must be repaid during the same fiscal year and there are some borrowing restrictions. See [IGR No. 17-21, *Borrowing*](#), for an explanation of interfund borrowing procedures and restrictions.

Debt authorized for jurisdictions required by special acts to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's approval before interfund borrowing and expenditure of funds can occur.

- Community Preservation Fund balances reported on the June 30 balance sheet must match balances reported on the Community Preservation Fund Report CP-2 that is due on October 31.
- Appropriations from Community Preservation Fund (CPF) FY2018 estimated revenues prior to July 1 are neither recorded nor expendable until July 1.
- Any Enterprise Fund related capital project deficit recorded in the Capital Projects Fund may reduce free cash or retained earnings depending upon the fund intended to finance the capital project.
- The Bureau has noted that a number of balance sheet reports reflect deficits in certain grants. The Bureau may reduce free cash for any grants that have been reported in deficit on the balance sheet. The Bureau will not require at this time that the deficit be raised in the FY2018 tax rate. However, accounting officials should analyze the deficit funds and plan to provide for the deficit in the near future
- The Bureau has advised local accounting officials that reservation of funds within an Enterprise Fund apart from retained earnings may only occur consistent with the provisions of the Enterprise Fund Manual, [IGR 08-101, *Enterprise Funds*](#). We also recommend courses of action for continued reservation of such funds. The Bureau may in the June 30, 2017 retained earnings certification close to retained earnings improper reservations. Additionally, capital projects should not be reported in the Enterprise Fund, but reported in the Capital Projects Fund.

Potential Increases to Free Cash

The following amounts may be requested by the jurisdiction's accounting official to be included in the certification:

- FY2017 state aid payments received by September 30;

- Federal/state reimbursements received by September 30 for FY2017 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit; and
- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2017 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided a documented reimbursement request was filed with the appropriate authority by September 30 and the Bureau must be satisfied that payment will be made.

Potential Decreases to Free Cash

The following reasons will contribute to a free cash reduction by the Director unless otherwise noted.

- The calculated amount cannot be substantiated by supporting documentation;
- A variance between the balance sheet and cash and/or outstanding receivables detail;
- Illegal deficits or any legal deficit not raised in the FY18 tax rate, or otherwise funded before the rate is set (if tax rate certification preceded free cash certification);
- A fund balance deficit in an individual Capital Projects Fund where funds were not borrowed by June 30;
- A deficit fund balance in the self-insurance health claims trust (Note: the deficit must be raised in the FY18 tax rate, unless otherwise funded before then);
- A grant deficit as of June 30 for which funds were not borrowed by June 30 or reimbursement was not received by September 30. See [Bulletin 2015-07B](#), which states that free cash would not be reduced for a FEMA grant deficit during FEMA's reimbursement period if properly recorded;
- A Chapter 90 fund balance deficit where funds were not borrowed by June 30; reimbursement was not received by September 30; or reimbursement was not filed with MassDOT by September 30 and the Bureau is not satisfied that payment will be made.

Certification Notice

Certification letters, free cash calculations, and enterprise fund retained earning calculations will be emailed to the mayor/manager, board of selectmen, finance director, accounting officer and treasurer immediately upon approval, to the email address in the Local Officials Directory (LOD) located in Gateway. Officials are advised to periodically check the LOD for accuracy of their email addresses and notify their City/Town Clerk of any changes.

Free Cash Certification Update

Once in any fiscal year, the free cash certification may be updated. Certification may be updated by receipts attributable principally to prior fiscal year property taxes, net of refunds, received from July 1 through March 31. At a minimum, a listing of taxes collected by fiscal year must be

provided to the Bureau for update purposes. This free cash certification update provides additional appropriation authority.

The Director will not update certified free cash where, in the Director's opinion, appropriation of the funds could result in a negative free cash as of the following June 30. No similar update may be requested for the following fiscal year if an update is certified and a negative free cash results.

The Bureau will continue to allow non-recurrent distributions received in the current fiscal year to be included in a free cash certification update subject to the conditions noted above.

Treasurer's Year End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2017 must be completed and uploaded in the Gateway system by September 30, 2017 or upon submission of a balance sheet for FY2017 free cash certification, whichever is earlier.

The Accountant completes Part II or if there is a variance completes Part III of the Report. Do not check-off in Part I on behalf of the Treasurer. If you have any problems with Report submission, please contact your BOA field representative.

We recommend that the records of the Treasurer and Accountant be reconciled monthly during the year to facilitate the completion of this report.

Schedule A Form and Notice

The FY2017 Schedule A is due November 30, 2017. Cities and towns that do not submit the Schedule A timely may have all future local aid payments (regardless of fiscal year) withheld until the Schedule A is submitted and accepted. [G.L. c. 58, § 18F](#).

The FY2017 Schedule A and the Excel version of Schedule A is currently available in Gateway. Please review the annual Schedule A Guidelines and Reference Manual available [here](#) for detailed instructions.

Schedule A approval letters will be emailed to the budgeting, accountant/auditor, comptroller and finance director immediately upon approval, to the email address in the Local Officials Directory (LOD) located in Gateway. Officials are advised to periodically check the LOD for accuracy of their email address and notify their City/Town Clerk of any changes.

DLS Website and Gateway

All Informational Guideline Releases (IGRs), Bulletins, Local Finance Opinions (LFOs) and other publications issued by the Division of Local Services can only be found on our website at www.mass.gov/dls. You may now search for current IGRs, Bulletins and LFOs in the [DLSLAW Library](#).

DLS Mailing List Subscription

To subscribe to automatic notification of IGRs, Bulletins, LFOs, *City & Town* e-newsletter, Cherry Sheets and other DLS publications and information, please click [here](#).